



Consultation Workshop on the Strategic Framework for Cambodia's Digital Economy

Event report

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A consultation workshop hosted jointly by the ODI SET program and the Royal Government of Cambodia, Digital Economy Working Group on the Strategic Framework for Cambodia's Digital Economy at the Raffles Hotel, Phnom Penh on Monday 4 November 2019.



Australian Government

Department of Foreign Affairs and Trade



Summary

- Cambodia has advanced significantly in relation to the development of its digital economy, and the Royal Government of Cambodia is currently developing a 'Strategic Framework for Cambodia's Digital Economy' to support it further.
- On 4 November 2019, ODI SET, in partnership the Royal Government of Cambodia, Digital Economy Policy Working Group and the Cambodian Development Resource Institute (CDRI) and supported by Australia's Department of Foreign Affairs and Trade (DFAT), hosted a consultation to inform the Framework's ongoing development.
- Consultation proceedings and discussions were led by H.E. Vongsey Vissoth, Permanent Secretary of State of Ministry of Economy and Finance and Chairman of the Digital Economy Working Group. H.E. Kong Marry, Advisor to the Deputy Prime Minister of Economy and Finance & Deputy Secretary General at the Supreme National Economic Committee made a keynote presentation on the progress of the framework's development to date.
- Key focus areas to be included the framework are basic digital infrastructure, Cambodia's participation in regional and global digital value chains, digital leadership and skills for the digital economy.
- The implementation of the framework will involve a digital foundation stage, including targets for high speed internet and public service digitalisation, a digital adoption stage including targets for improved digital literacy and ICT workforce employment rates and a transformation stage including targets for specialist digital skills and the overall size of the digital economy
- ODI ongoing analysis highlights that digital transformation does not automatically support all members of society, or to the same extent: complementary measures that include skills development are critical to make digital transformation work for inclusive development.
- Implementation of digital technologies has been gradual in the agricultural sector, impressive in the services sector and slower in the manufacturing sector. Cambodia's e-government capabilities are lagging behind on global indicators.
- An inclusive digital transformation in Cambodia could be supported by:
 - Radically transforming innovation in the manufacturing sector
 - Providing skills for the future
 - Nurturing the digital start-up economy for an inclusive economy
 - Protecting and enabling the most vulnerable groups to take part in the digital economy
 - Promoting a public sector that leads by example.
- Stakeholders agreed that a useful method for analysing the distributional impact of the digital economy and designing appropriate policy measures is through examining the differential impact of digitalisation across different sectors. Such an approach is also useful for developing effective, targeted policy measures which support inclusive digital transformation.

Consultation Focus and Objectives

Cambodia has advanced significantly in relation to the development of its digital economy, and the Royal Government of Cambodia is currently developing a 'Strategic Framework for Cambodia's Digital Economy' to support it further. The Framework will focus on the development of an enabling environment for the digital economy and consider the role of digital government, digital society and the private sector.

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Digital transformation does not automatically support all members of society, or to the same extent: complementary measures that include skills development are critical to make digital transformation work for inclusive development. Consultation discussions therefore focused

specifically on the opportunities and challenges to inclusion posed by Cambodia's transition to a digital economy, including the role that digital skills development can play in addressing these challenges.

Consultation proceedings and discussions were led by H.E. Vongsey Vissoth, Permanent Secretary of State of Ministry of Economy and Finance and Chairman of the Digital Economy Working Group. Keynote presentations were made by H.E. Kong Marry, Advisor to the Deputy Prime Minister of Economy and Finance & Deputy Secretary General at the Supreme National Economic Committee and Dr Dirk Willem te Velde, SET Director and Head of International Economic Development Group at the Overseas Development Institute. The open discussion was chaired by H.E. Ros Seilava, Under Secretary of State of Ministry of Economy and Finance and Deputy Chairman of the Digital Economy Working Group.

The meeting was attended by a wide range of stakeholders, including from private sector organisations like E-Khmer Technology, Smart Axiata and DHL, international organisations like UNDP, UNIDO and the Asian Development Bank and government ministries, like the Ministry of Commerce, Ministry of Post and Telecommunications and Ministry of Economy and Finance.

Welcome and Introductory Remarks

Introductory remarks were delivered by:

- Dr Dirk Willem te Velde, SET Director, Head of IEDG, Overseas Development Institute
- Mr David Bloch, First Secretary, Australian Embassy, Cambodia
- H.E. Vongsey Vissoth, Permanent Secretary of State of Ministry of Economy and Finance and Chairman of Digital Economy Working Group.

Dr Dirk Willem te Velde opened the session, highlighting the importance of the digital economy for development prospects in Cambodia and the need for a guiding policy framework on this issue. He remarked he was glad Cambodia had developed an inter-ministerial committee and policy working group to support the framework's development – one that he hoped would help prepare Cambodia for the digital economy. He emphasised the importance of a digital economy which supported inclusive development, highlighting this as a central focus of ODI's ongoing study into the digital economy in Cambodia.



Mr David Bloch welcomed attendees and explained that the Australian government was pleased that the transition to the digital economy was a priority for the Cambodian government. He emphasised the importance of the digital economy for productivity, the creation of new markets, and driving efficiencies. He also emphasised the importance of the digital economy for youth development in Cambodia and

suggested that in the face of plateauing agricultural growth and wage growth increases, the digital economy promised major system wide gains for the Cambodian economy. Mr Bloch explained that the Australian Department of Foreign Affairs and Trade was in the process of

designing a new economic governance program and would consider how the program could support implementation of the Strategic Framework.

Mr Bloch emphasised the need to engage civil society and the private sector during the framework's development. He further reflected on the importance of broad stakeholder consultation and involvement, commenting that whilst many countries had struggled to do this through similar processes, relying solely on one agency to drive policy development, the Cambodian Government's institutional architecture would ensure consideration of a diversity of stakeholder views and policy considerations.

He suggested that the digital economy could have profound distributional impact, both between countries - in terms of the distribution of growth and investment and within countries. He suggested that whilst there was a risk of the concentration of benefits within urban and educated populations, the right policy mix could support inclusive outcomes, including the reduction of transaction and travel costs for rural communities.

H.E. Vongsey Vissoth welcomed attendees and thanked the Overseas Development Institute SET program and Cambodian Development Resource Institute for their joint organisation of the consultation. He reflected that the Working Group was undertaking extensive consultation, having just returned from study tours in Silicon Valley and Washington D.C.

He reflected on the timeliness of the consultation and the value it would add to the framework's development by bringing together representatives from academia and the private sector, amongst other attendees. He suggested that the outcomes of the meeting would help further refine the Framework.



He suggested that ODI was a key partner for the framework's formulation and thanked the World Bank for their role as lead partner through the framework's development. He suggested that getting the policy framework and institutional implementation mechanisms right was crucial to the success of the digital economy.

He remarked that the digital economy will affect several sectors of the Cambodian economy, including garments, tourism, agriculture and construction. He emphasised the transformative potential of the digital economy for developing countries but also highlighted the challenges it poses including to data security and cyber security protection, suggesting that Cambodia now has rethink its development strategy to ensure inclusive growth and the achievement of the SDGs by 2030.

He suggested that the framework should promote an innovative private sector as well as comprehensive digital government which is efficient, accountable and transparent. He suggested that it was crucial for the labour force to adopt and adapt to digital technologies and that the organisation of the Cambodian education system and government institutions should maximise the benefits and minimise the disruptions caused by digital technologies.

Keynote Presentations

H.E. Kong Marry, Advisor to the Deputy Prime Minister of Economy and Finance & deputy secretary general at the Supreme National Economic Committee - ' Long-Term Policy Framework for Cambodia's Digital Economy'

H.E. Kong Marry commenced his presentation with an overview of the background to the Framework's development. He explained that Cambodia's Rectangular Strategy IV mandated that Cambodia embrace the digital economy as an important underpinning for the achievement of the Cambodia Vision 2050.

He provided an overview of digital technology use in Cambodia highlighting that there are 8.3 million Facebook and 1.9 million Youtube users in Cambodia. He suggested that Cambodia has a 117% mobile subscription rate and a 10% household broadband subscription rate, one which should be improved. He explained that digital infrastructure for basic mobile access in Cambodia was good but fixed broadband infrastructure was inadequate, with subscription rates well below Vietnamese and ASEAN averages. He also highlighted Cambodia's low digital adoption rates with Cambodia's digital adoption index representing the third lowest amongst ASEAN countries.

Regarding digital manpower in Cambodia, he highlighted World Bank research which suggested that two thirds of businesses in the IT sector are unable to hire staff with adequate skills. Regarding legal frameworks for the digital economy, he highlighted Cambodia's recent adoption of the E-Commerce law as an important step for consumer protection and cybercrime prevention.

He provided an overview of key milestones in Cambodia's progress towards a digital economy, including the development of the Master Plan for ICT Education in 2009 and the ICT Masterplan 2020 in the mid 2010's.

He suggested that a significant proportion (20.9%) of cross-border commerce in Cambodia was focused on travel bookings and involved tourism companies. He provided an overview of the SWOT analysis informing the framework's development. Strengths to consider include an increasing young, educated population, fast tech spillovers from FDIs and a rising middle class creating more demand for digital goods. Weaknesses include insufficient digital infrastructure shallow and uncoordinated digital adoption by government, low digital adoption by business and low ICT skills and literacy. Opportunities include access to overseas markets, new business opportunities, growing demand due to the rising middle class and opportunities to address development challenges in health, agriculture, etc. Threats include job displacement and loss, changes to current value chains, cyber risk exposure and the widening of economic and social disparities.

He outlined key focus areas for the framework including basic digital infrastructure, Cambodia's participation in regional and global digital value chains, digital leadership and skills for the digital economy. Another key focus area for the Framework will also be tackling low digital literacy and capability, insufficient laws and regulations and the need for a concrete digital government plan. H.E. Vongsey Vissoth also provided an overview of the governance structure and timeline for the framework's development, including the key role of the Digital Economy Working Group is overseeing the framework and the various timeframes and options the Working Group is considering for the framework's implementation.

Common amongst these options are a digital foundation stage, which will, amongst others, include targets for high speed internet, public service digitalisation and digital laws and

regulations, a digital adoption stage which will include targets for improved digital literacy and capability and ICT workforce employment rates as well as a transformation stage which will include targets for specialist digital skills and overall size of the digital economy.

Dr Dirk Willem te Velde, SET Director, Head of IEDG, Overseas Development Institute - 'Overview of forthcoming draft ODI/CDRI report on an inclusive digital transformation in Cambodia'

Dr Dirk te Velde commenced his presentation with an overview of Cambodia's digital profile and policies and initiatives to date, echoing the messages presented by H.E. Kong Marry. He also outlined the key focus areas of Cambodia's long-term policy framework for the digital economy.

He then provided an overview of Cambodia's progress towards an inclusive digital transformation, focusing on the agriculture, manufacturing and services sectors, as well as e-government. He suggested there has been gradual implementation of digital technologies in the agricultural sector with less progress in the manufacturing sector. He praised the progress in the services sector but noted that Cambodia's e-government capabilities were lagging behind on global indicators. He suggested that digital agricultural technologies, including blockchain, robotics and automation support Cambodia's transformation by connecting farmers to markets, improving information flows, reducing transaction costs and raising agricultural productivity. He questioned however whether all gain from such technologies, suggesting that whilst there may be an overall net gain, some may ultimately lose out, in particular those who previously benefited from the inefficiencies which agricultural technologies aim to combat.

Dr te Velde suggested that the manufacturing sector should embrace digital technologies as a way of raising competitiveness and Cambodia's position in global value chains. He reflected that doing so may in fact become a matter of survival for the Cambodian manufacturing industry which could otherwise become locked into low value production activities within global value chains, from which they cannot upgrade.

He suggested the framework should consider incentives to innovate, nurture and attract digital technologies, promoting skills development funds and digital SME clusters as two ways to do this. He suggested that development finance institutions can play a key role in supporting skills development funds.

Dr te Velde suggested that uptake of digital technologies in the services sector would support increased employment and provide opportunities for the export of services to overseas markets.

He highlighted the way in which services applications like ticket booking application BookMeBus and financial payment application Pi Pay can reduce transactions costs and thereby support the competitiveness of the Cambodian economy. As with agriculture, he emphasised that efficiencies may create losers, pointing to *tuk tuk* drivers who do not embrace *tuk tuk* hailing apps as an example of this. He emphasised that Cambodia was a laggard when it came to e-government, highlighting that Cambodia's e-government capabilities had dropped from 144 in 2008 to 157 in 2018, according to the UN E-Government Survey.

In response to these challenges and opportunities, Dr te Velde made five key recommendations for an inclusive digital transformation, including that Cambodia:

1. Radically transform innovation in the manufacturing sector
2. Provide skills for the future
3. Nurture the digital start-up economy for an inclusive economy
4. Protect and enable the most vulnerable groups to take part in the digital economy
5. Promote a public sector that leads by example.



In order to radically transform innovation in the manufacturing sector, Dr te Velde recommended that Cambodia create incentives to attract technologically more intensive investment, encourage upgrading technology in factories and promote relevant skills. He suggested, for example an enhanced Skills Development Fund with targeted technical and vocational education and training placements. He also suggested the development of digital small and medium enterprise clusters.

In order to provide appropriate and good quality skills for the future, Dr te Velde recommended new initiatives to support quality skills development at the secondary and post-secondary schooling levels. He suggested that bringing new dynamism into Cambodia's sector skills councils to embrace a digital economy would be a helpful, targeted measure. He also suggested support to promote links between higher education institutes and the private sector, including through placements in industry.

In order to nurture the digital start-up economy for an inclusive economy Dr te Velde that Cambodia seek a better link between the start-up economy and how it delivers for the poorest. He suggested that whilst several organisations already support or invest in tech start-ups, new incentives by the Cambodian government for collective action by start-ups could redirect efforts to develop apps with relevant applications for the poorest.

In order to protect and enable the most vulnerable groups to take part in the digital economy, he suggested that targeted support is required to ensure that those who lose out from new technologies can take part elsewhere in the economy. This could take the form of rolling out digital infrastructure to those who need it most or raising digital literacy in vulnerable groupings.

Finally, he suggested that in order to ensure a public sector that leads by example, the government should firstly manage the development of the framework for a digital economy in a coordinated way. He also suggested that institutional strengthening inside the Cambodian government around the digital economy, and the nomination of a lead agency would be important. He argued that on the basis of current activity, the Ministry of Economy and Finance was best placed to undertake this role. He emphasised that the government must work closely with the private sector in all respects.



Consultation participants then provided comments on Dr Dirk te Velde's presentation. H.E. Vongsey Vissoth praised Dr te Velde's suggestion of considering the distributional impact of the digital economy by specific sectors. He suggested that this sector specific approach would be useful for informing the framework's formulation, given that different sectors will require different measures to support a successful digital economy. Similarly he praised the suggestion to consider issues of inclusion and suggested this could also be integrated into the framework. Mr David Bloch suggested it would be important to consider why incentives for manufacturing digital

transformation were inadequate and how new investments can be created.

Open Discussion

H.E. Ros Seilava, Under Secretary of State of MEF and Deputy Chairman of DE Working Group Ros Seilava moderated the open discussion. He outlined guiding questions for consultation participants including how the working group can improve the framework, participant reflections on the Working Group's proposed options for phased implementation, participant reflections on the prioritisation of policy issues in the framework and feedback on stakeholder consultation arrangements.

A representative from E-Khmer Technology suggested that the proposed phases for implementation of the framework - foundation, adoption, implementation would ideally be undertaken simultaneously, rather than sequentially. He commented that appropriate incentivisation would be important for successful implementation of the framework.

A representative from the Cambodia Development Centre commented on the importance of cooperation and partnerships between higher education institutions and the private sector to ensure appropriate digital skills training. They suggested that firms should start creating their own schools to ensure they have the skills their operations require.

A representative from the Council for Development for Cambodia asked the keynote speakers to elaborate on how other countries had dealt with the job losses caused by digital technology.

A representative from animation firm, Ink Animation thanked the Working Group for developing the framework. He suggested that animation businesses such as his involved processes which could not be automated, unlike in other sectors such as garment manufacturing. He suggested that the development of appropriate, higher order digital skills for staff was therefore very important for his business's success.



He suggested that opportunities afforded by digital technologies in sectors such as animation needed to be capitalised on now to ensure job creation in Cambodia, including through the provision of appropriate digital skills training. In this respect, he also suggested that government support for the overseas export of animation services, including through appropriate co-production and double taxation policies was also important. He commented that Cambodia has, in many respects, the appropriate digital infrastructure to capitalise on the digital economy, including good, reliable internet access.

H.E. Kong Marry confirmed that the proposed phases for implementation of the framework, would not be strictly sequential and at all stages of the framework's implementation, issues of foundation, adoption and transformation will be considered simultaneously.

Dr te Velde emphasised the importance of immediately supporting and capitalising on existing opportunities afforded by the digital economy, including by ensuring that regulatory and taxation policies did not 'kill off' emerging industries and opportunities. He suggested that effective partnerships between government and the private sector are important, both in terms of developing appropriate regulatory and skills development policies and programmes for the digital economy. He suggested there can sometimes be challenges with the private sector engaging with government but highlighted Singapore and Malaysia as two countries where this is working well.

Dr te Velde agreed that appropriate government policies are important to deal with and avoid the inequality and discontent which job losses caused by technology can create. He highlighted Mauritius's garment policy in the 80's as an example of successful government policy. He suggested that government support for adaptation in the garment sector, including productivity enhancement programmes had resulted in a net benefit for Mauritius despite the resulting job losses, but that the government had provided worker re-training and other support in response.



He suggested that sector specific support would be important in Cambodia – in particular in the garment industry - to ensure appropriate re-training of workers and to ensure workers had the skills to take part in other sectors or new jobs within the same sector.

H.E. Vongsey Vissoth emphasised that it is not just digital literacy which is important for a successful digital economy but also access. He suggested that the Cambodian government is ready to scale up digital skills training, but would require support from all stakeholders including industry. He also suggested that appropriate social protection is important for adaptation to the digital economy including provision of appropriate training and reflected on the importance of ensuring the framework was targeted and implementable. He suggested that the education system needs to be re-developed to respond to opportunities afforded by the digital economy, highlighting how Cambodia had increased its STEM budget over recent years and was developing a network of New Generation STEM schools.

A representative from UNDP highlighted the need for a new platform to bring government and the private sector together to effectively engage on digital technology skills. He also praised the keynote presentation by H.E. Kong Marray and, echoing the keynote presentation by Dr te Velde, emphasised . He highlighted ongoing analysis which UNDP is undertaking with the University of Cambridge on this issue, revealing significant differential impacts in the manufacturing sector.

A representative for the Ministry of Commerce argued that Cambodia must develop the requisite digital skills to ensure it can undertake higher value production processes in global value chains.

A representative from Smart Axiata suggested that provision of appropriate public digital infrastructure, would be critical for a successful digital economy. They suggested that consultation between ministries was critical in this respect and recommended the development of policy specific working groups which include private sector representatives. They also suggested that the development of digital technology SEZs in certain provinces could help develop strategic trust and support the sharing of useful data on digital skills and the digital economy.

A representative from the Cambodia Development Centre commented that large firms hold significant data on digital capabilities and suggested that Cambodia develop a platform to share data on digital skills gaps.

Concluding Remarks

H.E. Vongsey Vissoth closed proceedings, thanking consultation participants for attending and for their thoughtful comments. He re-affirmed that the consultation discussions would be used by the Working Group to refine the framework going forward. He suggested that he was looking forward to the launch of the final report on ODI's study on an inclusive digital transformation in Cambodia early in 2020.

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